

# COST *and* MANAGEMENT

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THE CANADIAN SOCIETY OF

COST ACCOUNTANTS & INDUSTRIAL ENGINEERS

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HEADQUARTERS, 301 MACKAY BUILDING,

66 KING STREET EAST, HAMILTON

R. Dawson, Secretary-Manager and Editor

Telephone 2-0700

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at 25 cents each.

# EDITORIAL

## The Net Results

Our King and Queen have visited Canada and the United States and have departed for home. Perhaps that is not quite correct, for if anything was demonstrated during their sojourn in this Dominion it was that they can truly regard Canada as another home which they will be welcome to visit at any time they see fit.

They came, they saw, they conquered, and if Canada was not Empire conscious before, it certainly is now. That is one of the net results of the Royal tour.

Another result, perhaps unfortunately not quite so lasting, is that the Royal tour crowded the dictators off the front pages of the newspapers not only in Canada but in the United States, and this fact should have meant better business confidence.

Perhaps it has, but the evidence is not very clear as yet. The fact that this charming young couple, loved for what they are as much as for what they represent, made such a tour with all its responsibilities, and they were undoubtedly many, the simple way they behaved, the outstanding graciousness and the willingness at all times to be so solicitous of the welfare of the people, particularly of the aged, the infirm and the children, all these things should help us to realize that we belong to a glorious Empire and, more than that, that we have a heritage that must be lived up to.

They should remind us very forcibly that we in Canada are very fortunate people, that we live in a land which is worth living and working for. Will that lesson be lost on us? We sincerely hope not, but it will unless all of us get together in a real concerted effort to make Canada what our King and Queen expect it to be, and what we want it to be.

Confidence in our future as a nation is what we want, and confidence in a business revival immediately is the first step.

Oh yes, the cynic will say that this tour is a lot of propaganda, that the whole thing is a glorious holiday for the benefit of a lot of stuffed shirts, but to this writer, who was privileged to get a close-up view of Her Majesty standing on the platform of the observation car of the Royal train as it steamed slowly on its history making visit to the United States, waving to the crowds, that almost pathetic figure of a very gracious lady, who seemed to be trying to say: "So sorry we can't stay longer," cynicism has no place.

And cynicism can have no place in business if we are to make Canada a place better to live and work in.

## ACROSS THE SECRETARY'S DESK

Canada has shown that it can let itself go in a united effort to give a glorious welcome to the very symbol of Empire.

Canada must show that it can and will give a united front in an effort to place the country back on its feet in a business way, and there is no better time to start than now, while the lesson of the Royal Tour is still with us.

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# Cost Accounting in Municipal Affairs

Recently there has been somewhat of a trend in municipal affairs to pay considerably more attention to Cost Accounting than has been the case in the past, a fact which is all to the good. True, there are few municipalities except perhaps in the larger centres where the services of a full time Cost Accountant are used, but Cost Accounting is becoming more and more a factor in municipal affairs.

In the past Cost Accounting in municipalities has been more or less haphazard and has been confined merely to estimating, with little or no attempt made to actually "get down to cases" and to analyze costs.

Now, however, there is a definite trend toward a real scientific approach from a cost point of view, and it would seem that such a trend is long overdue. Certainly those engaged in accounting work in municipalities will, in future, need a much more comprehensive knowledge of Cost Accounting than has been the case in the past, and why not?

Municipalities are large spenders of funds, and the fact that such funds are public funds should be all the more reason why much more care should be taken in the spending of them. Certainly if a real cost system were in effect in municipalities there would be far less waste than one has been led to believe has existed in the past.

In any event, any system which provides that not more is paid for a job than it is worth is something to be commended.

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## Across the Secretary's Desk

Well, it's all over. The Annual Meeting of the Society held in Hamilton on June 3rd, I mean—not the visit of Their Majesties.

Personally, I believe it was the best gathering of its kind we have held in many, many years, and I am not alone in that opinion.

Those members who were not present certainly missed a treat and from now on the Annual Meeting should be a mecca for all members who can possibly attend.

The speaker at the luncheon, Mr. W. H. Funston, Jr., President of

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The Firestone Tire & Rubber Co. Ltd., of Hamilton, was really excellent and he certainly started things off in an excellent manner.

The Annual Meeting which followed immediately was not "rushed" as is usually the case, but the members asked questions and discussed Society business in an intelligent manner, and don't think there was just a hand-picked few present.

The attendance was easily the best for a long, long time, and certainly pointed out the vastly increased interest in the Society.

The golf game was well attended and the plant visit—another innovation—also was well attended. So was the dinner at the Golf Club, and here the boys were in a happy mood.

The directors had a long session following the dinner and did not finish until around midnight, but all agreed it had been well worth while, and the Hamilton Chapter, which suggested the arrangements and had a great hand in completing them, is to be heartily congratulated. Certainly the Chapter has set a real high standard to be followed in future meetings of this kind.

Your officers, newly elected at this meeting, are men of proven ability, enthusiasm and integrity, and one cannot help feeling that this is "our year."

Undoubtedly a fine start has been made and on all sides one can hear and see evidence of real activity already in preparation for next season.

Several Chapters have already made a start on next season's program, and there is no reason why all Chapters should not follow suit.

Certainly a well organized program works wonders in connection with the interest of the various members, and also assists very materially in lining up new members.

In this connection, while the Society showed a good gain in membership during the year just past, there is still much room for members.

One member spoken to just this week has already pledged himself to obtain ten new members during the present year. How about you?

Surely each member knows at least one man who should be a member of our Society, and your help along these lines will be greatly appreciated.

Coming back to the Annual Meeting, it was a pleasure to meet so many old friends, and it was also a pleasure to see so many friendships formed, and one can see that such friendships will undoubtedly assist in making our Society a real live, vibrant force we aim to make it.

If you were not present, you missed something, and if you were present we know that you enjoyed every minute of it, and you have the writer's sincere thanks for helping to make the affair such a big success.

R. D.

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## The Annual Meeting

To say that the Annual Meeting of the Society was a success would be stating it mildly, for it was one of the best on record and will undoubtedly prove to be a forerunner of things to come.

## ANNUAL MEETING

Elsewhere in this issue there are highlights of the meeting, but little mention has been made of your new officers.

Alex G. Howey of The Mercury Mills Ltd., Hamilton, is the new President, and the Society can be congratulated on his election, for Alex is a man who for many years has shown a very vital interest in the Society.

Starting as a member of the Hamilton Chapter many years ago, Alex gradually rose through various offices to the chairmanship of that Chapter, until he was elected a director of the Society. Last year he was elected Vice-President of the Society. This year he is President, and the members can look for wholehearted co-operation, a willingness at all times to do everything humanly possible for the success of the Society, and last but not least, a most likeable personality that will endear him to the hearts of all those with whom he comes in contact.

D. R. "Don" Patton, C.A., of Montreal, is the senior Vice-President, and Don is too well known to most members to need much introduction.

He has been a hard worker for the Society, and for the Montreal Chapter for many years, and has been head of the Educational Committee for the past few years. Here again we have a most likeable young man who has visions of a Society such as few men have.

George Appleton of Toronto (Toronto Hydro Electric System) is the other Vice-President, and the Society is fortunate indeed in having a man of his calibre as an officer. An extremely hard worker for the Society for many years, George is a past chairman of the Toronto Chapter, and has never lost interest in its doings.

Percy W. Wright, Shawinigan Water & Power Company of Montreal, is the Honorary Secretary, and although he is perhaps not so well known outside Montreal as some of the other officers, he is nevertheless a very high type of member who has done a lot for the Society in general and the Montreal Chapter in particular over a long period of years.

C. R. "Reg." Kidner, C.A., Savage Shoe Co. Ltd., of Preston, Ont., is the new Honorary Treasurer. Reg. is one of the newer members, and his election is not only a tribute to his keen interest and his executive ability, but also to the Kitchener Chapter of which he is a director and a very regular attendant at meetings.

With such men in office and with the assistance of a very fine board of directors, the Society cannot help but go ahead, if the rank and file of the members will go to work with them.

Plans for the new year, suggested at the Annual Meeting of the directors, are already in the making and this should be a record year.

Sixty were present for the luncheon meeting, and about that number present at the Annual Meeting which followed.

Over thirty played golf and about twenty participated in a very enjoyable visit to the plant of the Mercury Mills Ltd.

Forty were present at the dinner in the evening at the Glendale Golf and Country Club, and the prize winners were as follows:

Low gross—H. P. Wright, Hamilton.

Low net—C. R. Kidner, Preston, and C. R. Howard, Port Colborne, tied.

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Other prize winners were: Roy Page, Toronto; W. H. Furneaux, W. G. Smitton, C. H. Wynn and Alex Gordon, all of Hamilton.

Prizes for best non-member scores were awarded to: V. Lyden and E. C. Lambert, both of Port Colborne, and the main prize for those who attended the plant visit went to A. F. Telfer of Toronto.

The prize for the best commentator on the golf game went to Bruce Taylor of Toronto.

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## Literature Received

### **Principles and Methods of Measuring Office Activities.**

N. A. C. A. May 15th.

A very complete and live article on a subject of growing interest, more especially in large offices.

### **Selling and Distribution Expenses.**

Cost Accountant. April.

A most complete and interesting, as well as an information, article on a subject about which perhaps too little has been written.

### **Brewery Costs.**

The Accountant. April 29th.

A comparatively short but a very good article on a subject of primary interest to those engaged in similar industries.

### **The Place of Internal Auditing in Industrial Companies.**

N. A. C. A. June 1st.

In view of the recent interest this subject has received, this report of the Research and Technical Service Department of the N. A. C. A. should be of particular interest to accountants generally.

### **A Standard Cost System for a Brewery.**

N. A. C. A. June 1st.

This article really is a case study, but is different from usual case studies by reason of the fact that the company described is an assumed one, and the happenings described are also assumed. Nevertheless, the article is a very valuable contribution to previous discussions on a similar subject.

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## Book Review

### **Elementary Accounting.**

### **Intermediate Accounting.**

By George H. Newlove, Ph.D., Leo Cecil Haynes, M.B.A., John Arch White, Ph.D., C. Aubrey Smith.

Published by D. C. Heath & Co., 180 Varick Street, New York City.

**Elementary Accounting**—684 pages. Price \$4.00. Fills the need for

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an introduction to an accounting course and is specially recommended for its simple and gradual approach to the more difficult phases of accounting. Its clear style, illustrative problems make it very readable, and the book can be well recommended as a first course for students.

**Intermediate Accounting**—838 pages. Price \$4.50. Has been issued as a second volume in the series and is concerned primarily with the preparation of fundamental reports, the balance sheet and the income statement, and a detailed analysis of their constituent parts. There is also a discussion of the principles of income determination, the methods of securing valuable information from the reports by the use of ratios, and in addition many special branches of accounting are dealt with in an able manner.

The authors of the two volumes are members of the faculty of the University of Texas, and their work has been well done.

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# Report of Educational Committee

Gentlemen:

### Society Educational Activities.

Educational activities continued along the lines followed in the preceding few years. Courses were conducted in Montreal in co-operation with the Society by McGill University and the Montreal Board of Trade, and in other centres certain students prepared themselves by the medium of correspondence courses or by home study.

### Examinations.

Examinations were conducted by the Society in April and May, 1939, in accordance with its regulations, as follows:

#### Industrial Management—

Subject.	No. Writing	No. Passed
Montreal .....	8	5
Toronto .....	1	1

#### Advanced Cost Accounting—

Montreal .....	12	11
Toronto .....	2	2

#### Accounting—

Montreal .....	1	0
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#### Cost Accounting—

Montreal .....	19	12
Sayabec .....	1	1
Temiskaming .....	1	1
Kitchener .....	1	1

### Examination Funds.

Examination fees received in Montreal totalled \$105.00 and we suggest that this should be reserved for the promotion of educational work and for the incidental expenses in connection with the courses and examinations.

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### **Amendments to Examination Regulations.**

Amendments to examination regulations, as presented at the last Annual Meeting in Toronto last year, were adopted.

### **Standard of Examinations.**

The pass-mark in all subjects has been set at 60%, and our recommendation is that this pass-mark be maintained and that a high standard from all candidates be insisted upon.

### **Degree.**

A special committee was appointed to investigate the possibility of granting a degree in Cost Accounting and Industrial Management, under the chairmanship of Mr. H. P. Wright, and in all probability a report and recommendations will be received from that committee.

### **Student Members.**

The number of student members of our Society continues to increase, especially in Montreal district.

Six of the fifteen Montreal Chapter directors for 1939-40 have been former students of the Society.

### **Prospects for the Future.**

For the first time a considerable interest is being shown in educational work in the Ontario centres. With the educational facilities possible in that province, this would be a very excellent field. No definite connection has been established with the University of Toronto, but in view of our experience with McGill University, such a connection should prove mutually advantageous.

Each fall, Montreal circularizes the various industrial heads, former students, etc., summarizing requirements for the Society Certificate of Efficiency and outlining the courses conducted by the educational institutions leading to that certificate.

Response has been very gratifying, and we believe that similar publicity, adjusted to suit the local conditions, might well be undertaken by the Society in other centres.

We sincerely believe that investment in students will bring the Society large returns.

Respectfully submitted on behalf of the educational committee of the Canadian Society of Cost Accountants and Industrial Engineers for the year 1938-39.

DONALD R. PATTON,  
Chairman.



## A Partnership Within a Corporation

By

GEO. W. FOOTE

of London

An Address Before

London Chapter, at their February Meeting

For some time industrialists, workers and labour leaders have been endeavouring to find some plan whereby production could be equitably divided between all parties interested. The plan that I am going to discuss with you this evening is one which merits the attention of everybody interested in bettering the relationships between capital and labour.

The plan did not originate with me, but is one with which I became acquainted in my work as a practising accountant, and I am more particularly indebted to Mr. John J. McHale, president Scott & McHale Shoe Co., Ltd., for his permission to place the plan now being used at his factory before you. It is my information that this plan originated in the Nunn-Bush Shoe Co., Milwaukee, some four years ago, and has been adopted by at least two other factories in the United States, and I have been informed by one of your members this evening that a similar plan is being operated by another factory here in Canada.

The plan is, in reality, a partnership between the employer, known as the corporation, and the employees doing the productive labour for the corporation, and a partnership agreement is drawn up covering every point that might occur, and while it would not be possible to cover the whole agreement this evening, at the end of my talk I will endeavour to answer any questions that your members may care to ask, and I am quite pleased to see that you all have note paper with you.

The parties to the agreement agree that the capital, management and the labour interests in the company constitute a true partnership and that a percentage of the wholesale value of the merchandise packed belongs to and shall be set aside for the "labour interests" as set out in the agreement. I might say that with this particular firm the amount is 22 1/5% of the wholesale value of merchandise packed, and you will probably wonder how this amount was arrived at. The figures in the financial statements of the year 1937 were used as a basis, that is, the production wages shown in that statement, and under the plan this 22 1/5% of the wholesale value of all merchandise packed is transferred to an account which may be given the nomenclature of Labour Reserve Account and from which each employee under the plan is paid a weekly salary, and the management of this account is placed exclusively in the hands of an administrative committee, elected from the ranks of the workers by the workers themselves, and responsible only to the workers. This committee

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administrates not only the financial affairs of the workers in the organization, but all other matters pertaining to their welfare and the conditions under which they are employed.

In the administering of the Labour Reserve Account the employees are divided into three groups, designated as A, B, and C. Into group A is placed the older of the employees in point of service. Such employees cannot be laid off while any other group A employees are working.

Class B employees enjoy all the privileges of class A employees except that in slack times they can be laid off if necessary. Class C represents only the very newest of the employees who are brought in and paid on an hourly rate and who must of necessity go through a period of probation in order that the administrative committee and the workers as a whole may have an opportunity of deciding whether or not such new operators are up to the standard which they require in the workers that they will associate with in their future operations.

All class A and B workers are then given what we term a "basic rate" or "drawing account"—such amounts being computed on a yearly basis according to the earning power of each individual operator in the business as demonstrated by his or her 1937 earnings, proper adjustments being made in all cases where changes in operator's work had occurred in the meantime. This amount is then paid to each A and B worker in 52 weekly instalments throughout the year. This does not mean, however, that an operator's drawing account, once determined, is permanently fixed, but, on the contrary, the administrative committee can and does adjust these amounts as operators improve or are promoted to better paying positions.

The total of all drawing accounts is charged each week against the Labour Reserve Account. If at the end of the season there is a balance or surplus remaining in the Labour Reserve Account, such balance is distributed among the operators on the pro rata basis, or in any way the operators themselves should decide to distribute it. The management having no choice whatever in the distribution of these funds. Monthly reports are handed to the administrative committee showing the position of the Labour Reserve Account, and these reports are subject to the check and approval of any accredited firm of public accountants engaged by the committee for that purpose. All records necessary to insure a satisfactory, intelligent audit are open for their inspection.

Under the plan "arbitrary discharge" is relinquished and no executive in the organization has the authority to dismiss or lay off an employee without the approval of the administrative committee, and it is to this committee that the management must turn for redress in the event of an employee not conforming to the rules or in living up to the standard expected of him either in production or quality of work.

The plan also provides a system of promotion which enables the operators to make application for any key position that may be open either in their own or some other department. Such applications are handled by the administrative committee. In this way operators who have for years worked in a department that does not offer as good opportunity for advancement as does some other department and who, under the old system,

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did not have a chance of leaving that department and progressing into another, have been given the opportunity of learning a key operation and decidedly improving their financial condition.

The local firm that has adopted this plan has voluntarily reduced the work week from 5½ days to 5 days per week, or from 49½ hours to 45 hours, and each A and B operator is entitled to two weeks' holidays each year with pay, and they are also paid for all legal holidays throughout the year on which they are not required to work, as well as for time lost through no fault of their own, but an important point to note is that while hours have been decreased, production has increased considerably.

The firms who have adopted this plan believe that the interest of the workers and the interest of the management can never be separated successfully. The well-being of one travels side by side with the other, and it is only when this fact is realized and employer and employee join hands to work out their problems together that they will be successful in producing industrial peace and happiness. United together, management and labour can march down the industrial highway of success which stretches before them if they will but open their eyes and step out into the sunlight of harmony and good-will instead of groping vainly and unsuccessfully among the under-brush of suspicion and discontent.

It has now been proven that this "management labour relations plan" has been highly successful and has also proven of great benefit both to the management and labour departments of the corporation.

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## Book Review

Canadian Tax Service — Commerce Clearing House, Inc.

Loose Leaf Division — New York

By

F. G. WINSPEAR, C.A.

Edmonton, Alta.

The Canadian Tax Service offers a complete cumulative summary of Canadian taxation, presenting firstly the whole or the relevant sections of imposing statutes with amendments, secondly comprehensive resumes and citations of legal cases, and thirdly editorial comments and explanations relating thereto.

The fields of taxation dealt with comprise income tax, corporation tax, succession duties, licenses, excise and sales taxes, utility taxes, and in fact all important taxes of the Dominion, the nine provinces, and the principal cities. If any important taxes have been omitted, this reviewer has yet to find them, and one is readily able to refer to matters relating to nature and form of returns, assessments, appeals, collections, refunds and other matters.

The service is presented in three volumes, the first of which relates to Dominion taxation and the other two with Provincial. Special sections

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are provided for new matters such as exchequer and other court decisions, and new regulations. The section on law includes late summaries of tax legislation and revised statutes verbatim; in the income tax section the publishers state that they have based their editorial comments and references on a comprehensive treatise on the Income War Tax Act written by Mr. J. R. Tolmie, barrister and solicitor of the Dominion Income Tax Department. The editorial comments are forcefully and concisely written and fully referenced to the statutes and legal citations.

A periodic news letter is provided which is comparable to economic or investment services which have proved so valuable to business men in other fields. Subscribers will be kept up to date by addenda supplied from time to time by the publishers, which may be inserted in the proper place in relation to the topical indices. As an example of the dispatch in this connection, an important decision, *Ramsay vs. Provincial Treasurer of Alberta*, was handed down by the Appellate Division of the Alberta Supreme Court on April 11th, 1939, and on May 15th, 1939, a complete report was received on the desk of this reviewer, setting forth the facts and a verbatim judgment.

A few comments should be made as to the indexing mechanism. A complete topical index for each tax jurisdiction quickly references one either to the statutes or the editorial subject matter. Sub-topical supplementary tabs are also utilized for reference to such matters as specific cases. The volumes are presented in substantial loose leaf binders.

As an accountant one feels that the full value of the Canadian Tax Service can only be fully appreciated through habitual use. With this in mind, it can be readily recognized that so comprehensive a work cannot have been completely studied as to the accuracy of the detailed information by this reviewer in the short time at his disposal, but in his opinion, the work gives every indication of filling an important need to all those requiring complete and up-to-date information on the maze of taxation.

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# Reshaping Distribution to Modern Economy

By

OSWALD W. KNAUTH

President, Associated Dry Goods Corporation  
of New York

An Address Before

Seventh International Management Congress, Washington, D.C.

Seventh General Session

The study of economics becomes more and more difficult as our economic system becomes more complicated. We have, in general, two methods of approach: One, an analysis of what would happen in a rational world,

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when we know that most of it is irrational; and second, a study of past conditions on the theory, other things being equal, that history will repeat itself and therefore give us a reliable guide to the future.

The real trouble is that economics cannot be an objective study of external facts. In geology, astronomy, physics, even biology and chemistry, nature is what it is and waits for man to understand its mysteries. In economics, we deal not only with objective facts, but with man's own evaluations of those facts; and they are very different things. It is all the more difficult because the economist is a man himself, and therefore shares, with the man he is studying, all the peculiarities and irrationalities of human nature. It is no wonder, therefore, that economics, in company with the social sciences, has lagged far behind the physical sciences.

In a sense, science is nothing more than an accurate description of what takes place, together with an intelligent explanation. In this sense, we can indeed study mass reactions with some hope of objectivity. But those mass reactions themselves affect mass judgments, so that we find ourselves dealing with very different types of human beings and values at different times. Other things, therefore, are never equal; so that the study of what took place in the past is never an accurate guide for the future. And a study of the past, furthermore, shows us that the judgments made in all periods turned out to be irrational in the light of later events. If any set of tendencies could be counted on to continue indefinitely, forecasting of economic conditions would be far more possible. But reactions continually set in; new tendencies appear and counteract the tendencies of the past.

The subject of this paper is the place of distribution under changing conditions of the age. New forms of manufacturing, new methods of transportation, new housing conditions, new attitudes toward life, are profoundly affecting our industrial system. In this system, distribution stands at the apex of industry. Distribution may be defined as that part of the industrial process which transfers the production of the factory from its point of manufacture to the many million doors of the final consumers. This is a complicated and costly process. It involves the selection of the articles to be transferred, their movement to a central location, their display, an explanation of their uses, repeated repacking, warehousing, financing both the purchase and the sale, and final delivery of the individual articles in good condition to the ultimate consumers. It is a dramatic process, for it converts the manufactured article into the satisfaction of a human desire. As long as articles are unfinished, or semi-finished, or even finished at some far-away point, they are classed as merchandise, stocks of goods on hand, and have only a potential value. It is at the end of this process, when the articles are actually being enjoyed by consumers, that the whole industrial process of mining and agriculture, transportation, finance, manufacture and distribution is consummated. So that the function of the distributor is to convey merchandise or stocks of goods into the the articles which people enjoy. At one end, these stocks of goods have a market value; at the other end, they have a value in use.

People, as consumers, fall into definite categories. There are those

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who demand what they have always had, unchanged from generation to generation. There are those who always want the new and the novel, enjoying the exclamations of their friends; and there are those who follow the established trend, once that trend is recognized as safe. From another point of view, a large class of people wish the expensiveness of articles to be easily recognized, and create a demand for the mink coat, the Sarouk rug, the special body Cadillac, the Dunhill pipe. There is a small group who desire expensive simplicity, recognizable only by the few. There are those who want their money's worth in terms of quality. These, in fact, are only happy when they feel they are getting two dollars of value for the dollar. There are those who like the gay and exotic, and those whose only wish is to escape attention.

Our standard of living, in terms of articles and services to be enjoyed, depends on the effectiveness of our industrial system in producing those articles for our varied population. In a sense only is it a system, for more realistically it is a myriad of interlocking efforts and adjustments of our entire working population. The elements are strangely varied and their relative importance to each other is constantly undergoing fresh variations. Consider a few of the more striking changes during the last generation. Around the year 1910 we had less than half a million passenger automobiles and 10,000 motor trucks in the country. To-day we have over 25,000,000 passenger automobiles and over 4,000,000 motor trucks. We had 7½ million telephones; to-day we have almost 20 million. We had no aeroplanes; no radios; no electric iceboxes. Moving pictures were in their infancy. The recent revival of Rudolph Valentino's "The Sheik" forcibly illustrates the progress in a decade. On the other hand, the production of most of our crops was about the same then as it is to-day. Our railroad mileage has not increased. Most articles of household use have remained static, changing only slightly in composition, color and design.

Fortunately, none of these changes took place overnight, but came in slowly, year by year. However, due to the gradual nature of many of these changes, their importance was often recognized overnight; and the adjustments to changed conditions were frequently just as sharp as if a new invention had suddenly burst upon us.

These vast changes have rendered the task of distribution peculiarly difficult and risky. For it is the distributors who attempt to gauge, not merely the desire of the public for the articles which industry is capable of producing, but the effective demand for these articles; and that is a very different story, for desire is not always accompanied by effective demand. Prices play a large part, and the point of effective demand at various prices again reflects back on the ability of each industry to manufacture in larger quantities with less costs. Manufacturers, miners, farmers and distributors together share the risks of financing advanced production under conditions which themselves vary.

Distribution and the prices of articles cannot be separated. The general price level of one type of goods affects its sale as against another. Automobiles, taken as a whole, are a striking example of this. To most persons, the value received in pleasure per dollar seems higher than in

## RESHAPING DISTRIBUTION TO MODERN ECONOMY

many other types of articles. Hence, there has been set up a spiral which has enabled automobiles to be produced at still lower prices, expanding this extra value even more. On the other hand, there are large classes of articles that seem to be relatively expensive per dollar value in pleasure received. Rugs are perhaps a striking example. Electrical goods are another. If, indeed, the cost of manufacturing cannot be decreased in such lines, then an effort must be made to clothe them with a rarity value or a fashion pre-eminence. When the cheapening of cigarettes took place, fostered by the war, cigarette smoking took on a new position in our social life. There is no single level of prices for any article which can be worked out beforehand and theoretically. The most amazing increases of demand frequently take place with a relatively small change in price level, which just brings that article within the ability of a new economic income class level; and again, there are other types of articles where a large change in price has relatively little effect on the total demand. The study of these variations, through trial and error, of offering goods in order to determine the varying conditions, is the basic daily task of all merchants; and in their variations, lies the difference between success and failure. General rules do not apply. The conditions of demand of chewing gum, tooth-brushes, inexpensive groceries, expensive groceries, radios, clothing and automobiles, are all different and are not susceptible of being grouped together under any one system; and in each one there are the inevitable costs of transporting the article from the point of manufacture to the widely divergent persons and homes in which they finally give pleasure, through use.

We often hear it said that the cost of distribution bears some form of percentage relation to the cost of manufacture. Sometimes we work out averages of these percentages and conclude that the cost of distribution is becoming greater or less, or that the cost of distribution is too great in one or other type of article, or perhaps that it is generally too great. In fact, such judgments are applied not merely to distribution, but also to the prices of raw material, such as wheat compared to flour, or crude oil compared to gasoline. All such computations furnish a delightful mental exercise to the theoretically-minded. They only become dangerous when policies are based on them, for in each case they compare the incomparable. There is, for instance, no basis, either in theory or practice, for supposing that the cost of manufacturing a cake of soap at a far-off factory has any relation to the cost of transporting that soap from the factory to the homes of the many thousand final purchasers. The two processes are entirely different. The services to the population which they each perform are unrelated. In one case, fats are combined and melted, and pressed into shape ready for use, but in a spot where they are valueless in terms of use. It is only when the many cakes of soap produced in one concentrated spot have been transferred to the widely divergent homes of the final consumers that value in use arises.

Again, consider the costs of moving the chinaware that is produced in Pennsylvania or Ohio, to its many varied destinations. Wholesalers and retailers first go to the source to examine and discuss the saleability

## COST AND MANAGEMENT

of the various patterns and shapes that are being created. Many are examined and few are chosen. Then the chinaware is packed in large barrels. These barrels go to many central places for further distribution. They are laboriously unpacked and a certain percentage of pieces found broken. They are displayed and subjected to further examinations. Finally, they are selected by the consumers, and that means a further packing and all the other complications of delivery.

Each step in industry has its costs, and is a necessary part in bringing the article to the point of final enjoyment. But the various costs have no more relation to each other than would have any fixed relationship between the raw material and the finished article. The value of the silver metal in the silver teapot is proportionately greater to the finished product than the value of the mud that is baked into a pottery teapot. No one would expect these proportions to have a constant relation to each other; and yet somehow, we have got the false notion into our general thinking that there should be a constant relation between the cost of manufacturing and the cost of distributing. This false notion is not merely a negative one; it is positively harmful, because it is the basis of much unwise legislation.

Manufacturers have their own difficulties. They frequently have a large plant investment, useful only for the production of one article. Skilled workers have specific skills which lose their value when consumer demand turns toward other means of satisfying the same need. A tragic example in the last few years has been the town of St. Gall in Switzerland, whose population subsisted on the making of laces. With the shift in demand to printed cottons and other types of edging, this town has become a deserted city. The towns of Whitehall and Granville, in Washington County, New York State, offer another such example. They were dependent for many years on the slate industry. Generations of skilled artisans in the cutting of slate had built their livelihood on this commodity. In recent years, the new materials in roofing and building wiped out this industry, leaving it stripped of its skill and resources, and dependent on the community. We have numerous other such instances in our own country, of which, of course, the most striking example is the replacement of coal by other fuels.

Manufacturers are also subject to complicated cross competition. Their competitors are not merely other manufacturers in the same field; but they are also those manufacturers making articles which are capable of satisfying the same particular need, though in an entirely different way. It is this fact which limits the so-called monopoly power in a great many lines, even though from a narrow point of view there seems to be an apparent monopoly. The possibilities of using either copper, or aluminum, or one of the new light steels, for the same purpose are simple examples of the daily problems of manufacture. Another striking example is the competition between the two methods of financing, either by long-term bonds or through bank loans, which has so drastically changed the position of our banking institutions.



## RESHAPING DISTRIBUTION TO MODERN ECONOMY

There are many ways of accomplishing the distribution of the finished manufactured article to the homes of the consumers, and they are all in competition with each other. Some of the advantages of each method are apparent; others are more subtle. The different methods apply with different advantage to different types of articles under the varying conditions of groups and of commodities.

We have a choice, then, of distributing articles directly from factory by mail to consumers; or of warehousing, cataloguing and distributing through the so-called mail-order houses. Either of these methods is efficient in its place. With the increase of roads has come the possibility of satisfying the desire of the consumer actually seeing, evaluating and hefting the articles to be bought; and this development has increased the position of the method of chain distribution of inexpensive articles.

A small specialty store still has many advantages in certain lines and to certain types of consumer. While perhaps less important than formerly in the total scheme of distribution, it still has a prominent place for service.

The department stores, either in single units or in groups have many subtle advantages which do not appear so readily on the surface. The ability of consumers to satisfy many of their demands under one roof; the assurance of a known standard of quality and service, affords to the consumer protection against trying out each of a variety of special stores. The carrying over of reputation from one department to another is missing in the chain or the specialty store.

Lastly, the house to house distribution involves the advantage of displaying utilities on the spot, and will always be adapted to certain types of articles.

It has been suggested that I should say something about the place of the co-operative movement in distribution. While it is too vast a subject to undertake to cover as simply a part of discussion of this sort, certain suggestions may be pertinent in connection with the general viewpoint here presented.

Co-operation is not a method of distribution. It is a form of ownership and control. It could, therefore, assume any of the different forms of distribution here discussed. Co-operation as a form of ownership is entirely practicable; in fact, it introduces no new elements into the picture. It is simply a question whether this form of ownership or control has in it the elements of aggressiveness, common sense and economy, necessary to make it survive. In certain communities, with certain types of articles, co-operation has been successful. But the conditions that brought about the beginning of the movement when the Rochdale Weavers began their co-operative efforts in the England of 1844 are not duplicated in most parts of the United States. Similarly, the conditions in Sweden are not typical of many parts of this country. Hence, neither of these examples can be taken as pointing the way to an inevitable future. Even in these countries, co-operation does not dominate the field of distribution. It is merely one of various forms, all of which serve certain purposes and survive, each beside the other.

The process of distribution is a varied one, and must adapt itself to

## COST AND MANAGEMENT

the varying conditions of production and social conditions. There is no single method of distributing articles towards which we are tending and which will prove itself more economical and superior to the variety of methods now in practice. All of the various methods now in existence serve a useful purpose and are here to stay.

Their relative importance, however, will undergo changes. The question is what the foreseeable changes in our social life will require, for on these depend the future processes of distribution. Certain trends seem pretty clear. We are moving out of large cities into smaller communities. Automobiles, buses and good roads have lessened the number of isolated dwelling and communities. We have fewer large fortunes, whatever may be the status of medium-sized incomes. Wages are tending toward a larger share of the national income than in the past. Government income, taken from the community through taxes and distributed to officials in relatively small fixed amounts is on the increase. The tendency towards greater national and per capita income which had been characteristic of the past century has definitely come to an end, and we are either on a level or on a downward trend. We are increasingly mass-minded, so that fads sweep the country.

All of this will mean a decreased importance of the specialty store; an increase in chain distribution, unless hampering legislation intervenes with artificial restrictions; a lessening of direct-by-mail, either from factory or from a distribution centre; an increase in the importance of large department stores at central points having a wide selection of medium-priced goods; a lessening of the importance of location; a decreasing demand for service. The changes of styles and innovations are becoming more rapid. Our whole population is imbued as never before with the value of external appearance.

Whichever of these methods becomes more or less important the cost of distributing articles will remain. It is an expensive process. As long as manufacturing goes on in anticipation of demand the expense of distribution will be large. For it entails extensive research into the next demands of the fickle and varied public, and much effort to secure the articles which will satisfy these demands. It entails a high rate of obsolescence, due only to style changes. It requires the maintenance of warehouses, display rooms and places of business. Service must be ever ready and ever alert. Delivery in crowded cities is slow and expensive—in less populous areas it requires long trips to isolated dwellings. These costs could be lessened with less service; and many successful distributors applying varying degrees of service; but in any case, they are high. For the value of any article is as much dependent on its being in the right place as it is on having the qualities needed.

The future is always hard to read, and the ultimate effects of present-day changes will express themselves in many peculiar ways far removed from their immediate surroundings. New adjustments seldom work out actually as they would appear to theoretically, for these new adjustments do not operate in vacuo, but are thrust into an already highly complex

## FINANCING THE SMALL HOME

situation. The adjustment of distribution to the changes in our social order will work itself out in a myriad of minor shifts, the ultimate extent of which it is impossible to foresee.

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# Financing the Small Home

By

F. W. NICOLLS, M.R.A.I.C.

Director of Housing

For the large majority of families contemplating the construction of a new home, the matter of financing their program is of prime importance. In only a small proportion of cases is the prospective owner able and willing to provide the entire capital from private resources. It follows, therefore, that for most families, resort must be had to credit financing. It is also evident that the ease or difficulty of securing this credit on favourable terms will be a major factor in their decision to go forward with their program.

Prior to 1935, the family of moderate income was faced with certain difficulties in building a new home. In Canada, the bulk of monies available for investment in first mortgages were trust funds, and the investment of these funds was limited by law to 60% of the value of the home. In practice, it was often necessary for various reasons to further restrict these investments to 50% of the lending value of the home. Thus, the family was required to accumulate a substantial proportion of the cost or to resort to the expensive procedure of securing a second mortgage.

A second difficulty was that the usual mortgage was for a short term, repayable in full at maturity, generally in five years. The mortgage was usually renewed when it became due. Eventually, however, the mortgage was not renewed and, as frequently happened, the borrower found himself obligated to make a large payment at just the time he was unable to do so.

In order to meet this situation, the Dominion Government, with the co-operation of the lending institutions, worked out a plan for higher percentage loans, with a longer term to maturity, and with the payments to be made by the borrower arranged more in line with the budget of the average family.

This was in 1935, and since then the new method of home financing has grown in popularity. In 1938, the Dominion Housing Act was repealed, and the National Housing Act, providing for a wide extension of loaning facilities, was passed.

Not only does this latter Act broaden the whole basis of housing legislation in Canada, but it gives particular attention to the financing of small homes. Through a system of guarantees the approved lending institutions are specially encouraged to make high percentage loans to credit-worthy people who wish to own new homes. Through a separate section

## COST AND MANAGEMENT

of the Act provision is made, for a limited period and under certain conditions, to further assist the low-cost home owner to meet his municipal taxes during a three-year period.

Under the new legislation the maximum loan on the new house is 80% of the cost or appraised value, whichever is the lesser, and it may be for an amount ranging from 70% to 80% of this value. This is true in all cases, excepting where the lending value is \$2,500 or less. For very modest homes of this lower value the legislation is even more generous, and the loan may be for a maximum of 90% of the lending value or for an amount ranging between 50% and 90% of this value.

It must be noted that all National Housing Act loans are based on the "cost or appraised value, whichever is the lesser," and that this lesser amount is known as the "lending value." Cost is the amount actually spent to produce the finished property; value is the worth of the property when completed. The owner's cost includes the cost of the land, building, architect's fees, legal and other expenses necessary to complete the house. A large number of factors enter into arriving at the appraised value as distinct from the owner's cost, and a brief outline of some of these may assist the prospective owner to follow those rules of procedure which will gain for him a satisfactory appraisal, equalling or closely approximating his total cost.

If the prospective borrower does not already own a building lot, it would be wise to seek competent advice as to the location of the site for the new home. Many of the lending institutions keep detailed records of the growth of communities, and may be able to assist the applicant in this respect. Generally, the lot should not be in a declining section of the municipality, and it should be legally protected from detrimental influences by zoning ordinances. Water, sewer, electric and other services should be adjacent to the property. School, church, shopping and amusement centres should be nearby, without being too close, and in the larger centres transportation service should be close at hand. Finally, the neighbourhood chosen should be one made up of homes approximately the same value as that which the borrower plans for himself, and the cost of the lot must not be more than 20%, and preferably not more than 10% of the amount which the owner plans to spend on the entire program.

In planning the house, again competent advice should be obtained by the prospective home owner. It is advisable to engage an architect, but if one is not available very careful attention should be given by the borrower to the selection of a practical and livable plan, designed to meet his real needs. The house should be suitable to the site upon which it is to be constructed, and this should be kept in mind when choosing the lot. The exterior should be pleasing, simple, and attractive, in line with the modern simplicity of design. A wise selection of materials will ensure slow physical depreciation and should reduce maintenance costs. The borrower should have a thorough understanding of his obligation to see that the house complies in all respect with the Minimum Standards of Construction and Memorandum Specifications which have been established under the National Housing Act, and to which all houses must conform. Finally, bids should be secured from several competent builders enjoying

## FINANCING THE SMALL HOME

a good reputation among those for whom they have built, in order that the best price may be obtained on the contract.

If all these details are given careful study and consideration, the cost will quite likely be in line with the lending value of the property and be satisfactory as the basis for the loan; also, the property will not be subject to the rapid loss of value of unprotected and poorly constructed houses.

Of interest to the prospective small house builder and owner are the plans available through the Housing Administration. These are minimum cost houses ranging in cost from \$2,000 to \$4,000, and provide for one storey, one and one-half, and two storey houses. Sketches and data are available on request to the Housing Administration, Department of Finance, Ottawa.

As we have already noted, National Housing Act loans may be for 70% to 80% of the lending value, and in the case of very modest homes with a lending value of \$2,500 or less, the loan may be from 50% to 90% of this value. The main factors in a determination of this percentage are the borrower's ability and willingness to meet his obligations. It is quite obvious, for instance, that the applicant's past record of meeting his obligations will have a bearing in considering the risk of granting him a large percentage loan, and also that a bad credit record will make any loan impossible.

The borrower's income and his probable future income will also be among the limiting factors taken into consideration when his loan application is being considered. A borrower who wishes to build a home costing more than he can afford should not expect to receive the maximum percentage loan on his property, and in this connection experience would indicate that he should not spend an amount in excess of 2 to 2½ times his yearly income as the total cost of his home.

All National Housing Act loans are secured by amortized mortgages. Each mortgage provides for monthly payments to cover 5% interest on the loan, repayment of principal, and the estimated annual taxes on the property. The retirement of principal is provided for in accordance with a standard amortization table at a rate sufficient, in the normal case, to retire the full amount of the loan in 20 years. If, however, the borrower so desires, he may arrange for a larger monthly payment in order to retire his loan more quickly, say, in 10 or 15 years.

The monthly payment required to fully amortize the loan in 20 years is \$6.54 per thousand dollars of loan. A 15-year amortization requires a payment of \$7.85, and a 10-year amortization requires a payment of \$10.55. The payment for taxes, which must be added to arrive at the total monthly instalment, is one-twelfth the estimated annual taxes.

An illustration will clarify the manner in which the monthly payment is calculated. Suppose a property, including house, lot, architectural, legal and other expenses, is to cost \$3,000, and that its appraised value is about the same, an 80% mortgage would involve a loan of \$2,400 and the equity which the borrower would have to provide, either in the form of a lot, or cash, or both, would be \$600. Assuming that the borrower is to amortize the mortgage over 20 years, the monthly payment for prin-

## COST AND MANAGEMENT

principal and interest would be 2.4 times \$6.54, or \$15.69. In one community the taxes on this house might be \$48.00 a year. Therefore, the total monthly payment would be \$15.69, plus \$4.00, or \$19.69. In another community the taxes might be \$72.00, and the monthly payment would therefore be \$21.69.

By adding one-twelfth the estimated yearly taxes on a \$3,000 property in his own community to the interest and principal charge of \$15.69, the prospective borrower will be able to calculate the approximate total monthly payment which would be required on an 80% loan on a property in his community. By adjustment of the factors he will also be able to determine the approximate payment required for a loan more or less than \$2,400. For example, on a property with a lending value of \$2,500, with a 90% loan, the monthly payment would be 2.25 times \$6.54, or \$14.72, plus one-twelfth the estimated yearly taxes.

The monthly payments are planned to commence after the house is completed.

Where the total cost of the property including lot, buildings, architectural, legal and other expenses necessary to complete the property, does not exceed \$4,000, the monthly cost during the first three years may be even less than indicated above. Provided the municipality in which the house is being constructed is co-operating with the Dominion under Part III of the National Housing Act, and if the house is being built for an owner who will occupy it upon completion, he may have 100% of his general real estate and school taxes on the house paid for the first year in which the house is taxed, 50% the second year, and 25% the third year.

The prospective home owner can determine if advantage is being taken of these tax payment facilities in his own municipality by inquiring at his local municipal offices, where applications under Part III of the Act are handled.

Briefly summarized, the procedure to be followed in financing the new home after you have determined how much you can afford to invest is as follows:

1. Fully acquaint yourself with the requirements, including the Minimum Standards of Construction and Memorandum Specifications which have been issued by the Housing Administration, and with which all houses to be financed under the National Housing Act must comply. Borrowers must realize that it is their responsibility to see that these requirements are met.
2. Be prepared to provide your equity of 10% to 30% of the lending value. No advance can be made by the lending institution until the owner has contributed his equity in the form of a lot, cash, or both.
3. Write to one or more of the approved lending institutions, or apply personally, with the purpose of ascertaining which company may be willing to make loans in your community.
4. Choose a suitable site in a district protected from detrimental influences and satisfactory to the lending institution.
5. Choose your architect with care and have your plans and speci-

## EXAMINATION RESULTS

cations prepared or use the stock plans available through the Housing Administration.

6. Consult your architect or lending institution official in the selection of the builders whom you will employ to construct your new home.

7. Tabulate the cost of the entire project, including (a) land, (b) house, (c) equipment, (d) architect's fees, (e) financing cost.

8. Present these figures to the lending institution and make formal application for a loan. Be prepared to furnish the lending institution with all information as to costs, etc., and also complete information as to your ability to repay the loan.

9. Be prepared to grant the lending institution sufficient time to check everything carefully and arrive at a decision. This will ordinarily take from a week to a month.

10. Do not start construction until your plans and specifications have been approved. Conditional approvals are not given and construction must not start prior to written approval, or the loan will not be granted.

11. If the borrower follows these rules and is successful in obtaining a loan, he may be sure that he has done everything possible to assure himself a satisfactory home.

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## Society Examinations, 1939

The following candidates were successful in passing the Society's examinations held in April and May:

### COST ACCOUNTING, FIRST YEAR

John A. Crosby, Montreal.  
John Moffatt, Montreal.  
N. Gendreau, Montreal.  
John W. Reid, Montreal.  
J. Norris, Montreal.  
N. J. Dupuis, Montreal.  
E. F. Burke, Montreal.  
George M. Grant, Montreal.

G. C. Jarvis, Montreal.  
G. E. Johns, Montreal.  
J. H. Larkworthy, Montreal.  
David C. Shaw, Montreal.  
H. W. Hayden, Montreal.  
V. McDonald, Montreal.  
I. L. Wismer, Kitchener.

### ADVANCED COST ACCOUNTING

C. C. Gardner, Montreal.  
J. W. Christie, Montreal.  
E. F. Burke, Montreal.  
Henri Suprenant, Montreal.  
N. J. Dupuis, Montreal.  
D. G. Shutt, Montreal.  
A. A. Badnage, Montreal.

F. Forbes, Montreal.  
W. H. Robertson, Montreal.  
W. O'Hagan, Montreal.  
L. M. Snowden, Montreal.  
A. J. Blanchard, Toronto.  
W. J. Carrigan, Toronto.

## COST AND MANAGEMENT

### INDUSTRIAL MANAGEMENT

R. J. Dustan, Montreal.

F. Forbes, Montreal.

W. G. Kemp, Montreal.

H. Suprenant, Montreal.

A. A. Badnage, Montreal.

A. J. Blanchard, Toronto.

### REPORT OF THE PRESIDENT AND DIRECTORS

Presented at the Annual Meeting, Hamilton, Ont., June 2nd., 1939.

We have pleasure in reporting as follows on the operations of the Society during the year 1938-39:

#### Membership.

During the year the membership of the Society has again shown a marked increase, the net increase being 147 members.

Five new Chapters, four in Western Canada and one in Western Ontario, have been organized, bringing the total number of Chapters to eleven, and our Chapters now extend from Montreal to Vancouver.

#### Chapter Activities.

All Chapters report especially good seasons and commendable enthusiasm is being shown in the new Chapters. The General Secretary visited all Chapters, with the exception of Montreal, at least once, and the newer Ontario Chapters were visited very regularly.

Discussion meetings were tried in several Chapters with excellent results.

#### Library.

It is a pleasure to report that the Society's Reference Library was used much more extensively than ever before, the total number of articles issued to members being 284 as against 89 last year, and 32 the previous year. In this connection, the catalogue issued in conjunction with the descriptive booklet of the Society and its work proved to be of especial value to members.

#### Examinations.

Examinations of the Society were held in Montreal, Toronto and Kitchener, with 22 candidates for the first examination, of whom 15 passed and 14 for the second year examination, with 13 passing.

#### Publications.

"Cost and Management" has been published as usual and many interesting and favourable comments have been received concerning this publication.

During several months a much larger number than usual of this publication was printed and purchased by the Society and sent out to prospective members with a view to stimulating interest in the Society.

#### Finances.

As will be seen from the financial statement, another deficit is reported, slightly higher than last year. It had been hoped that this deficit would be considerably reduced this year, but due to various causes these hopes were not fulfilled.

Chapters continue to receive 50% of fees except where the General Secretary collects the fees, and in these cases the percentage received by the Chapter is 45%.



## REPORT OF PRESIDENT AND DIRECTORS

The cost of publishing the magazine issue is much higher than last year due to many extra copies being printed and issued free in an effort to boost the membership, also to three issues being larger than usual, and also to the fact that there is one extra issue this year over last year.

Postage account also shows a big increase over last year due to the aforementioned cause, to the issue of the booklet to members and also to the big increase in articles from the Society's Library being sent to members.

It must also be remembered that last year there was practically no business done from the Society's office from June 1st to September 1st, and as a consequence there was little expenditure during that period.

Also no salary was paid for one month last year, and commencing on the first of our present year the Society decided to pay rent, light and telephone.

However, a budget has been prepared for the year 1939-40 with the income based on present membership and present contracts for advertising, which, if adhered to, will show only a very slight loss next year, and if new members are forthcoming, this should be turned into a surplus.

All of which is respectfully submitted.

K. A. MAPP,

President.

R. DAWSON,

General Secretary.

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## Personal Element in Incentive Plan

By

E. M. TURNER

Executives Service Bulletin, Metropolitan Life Insurance Company

From "Management Review"

At Joseph Bancroft & Sons Co., Wilmington., Del., time study engineers do three things to overcome the antagonism of supervisors and the natural aversion of workers to time-study methods. Whenever an operation is to be time-studied, the engineers first contact the foreman in charge and explain why the standards for that particular operation need to be checked. Next, before any study work is done, they must explain all this to the operator involved. Finally, when the work is completed and new operation standards are set, they go back to the foreman and the operator and show them in terms of production, and in dollars and cents of bonus, what these new standards will mean to them.

This plant, which is engaged in the finishing of cotton fabrics, has more than 5,000 separate operation standards in active use. To keep posted as to when standards require revision, the company depends upon three sources of information: the superintendents or foreman, the operators themselves and the company's clerical division.

The firm uses a point plan which is basically the same as the Bedeau-system, except that standards are expressed in terms of points rather than

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### SITUATIONS WANTED

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Young man with several years' experience in Cost Accounting in Metal Stamping and Foundry work, seeks position. Would go anywhere for good position, and would accept moderate salary to commence. Apply Box 44, "Cost and Management."

Young man, single, with many years' experience in Banking and Accounting. Graduate in Cost Accounting, and with experience as Office Manager, seeks change in position. Fully capable of taking charge, and remuneration asked only moderate for good start. Well recommended and is earnestly seeking a real opportunity to display knowledge and ability. Apply Box 45, "Cost and Management."

Thoroughly experienced Cost and Industrial Accountant desires permanent position. Experienced in installing cost systems and fully capable of taking charge. Only moderate salary asked, and distance no object. Apply Box 43, "Cost and Management."

Accountant, young, single, with ten years' accounting and banking experience, needs position. Anywhere. Apply Box 44, "Cost and Management."

Young man, at present engaged, desires position of Cost Accountant in Toronto or vicinity, with opportunities for advancement. Has had several years' practical experience as Cost Accountant, is well qualified and is at present studying for second year Society examinations. Apply Box 26, "Cost and Management."

Cost Accountant and Office Manager with ten years' experience in Cost and Production Control, also Purchasing, desires position with sound company. Graduate in Cost Accounting and in Production and Personal Management. Comprehensive experience in Foundry and Machine costs, and has three years' shop experience in Wood Pattern Making. Apply Box 38, "Cost and Management."

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The first step toward meeting the Hours Problem in an office is to survey the work on each desk. This determines whether employees are handicapped by routine that causes expensive bottlenecks, annoying peak periods, unnecessary duplications of records and needless operations. Eliminating some operations—and shortening others—can effect substantial economies in time, effort and money.

The booklet illustrated, "Ways to Save Time in an Office," suggests definite and practical ways to start such a survey in the office. For a gratis copy of this booklet, telephone the local Burroughs office, or write direct.



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"B's," and the ratings are called point hours. Standard efficiency is set at 60 point hour, with 80 point hour the highest rating obtainable by the average operator. On hand operations, however, operators sometimes exceed 120 point hour, but this double speed can be attained in spurts only.

Point hour ratings are posted daily for each operator, and they provide a gauge of both the operator's efficiency on the job and of changing working conditions. When the figures that have remained near the 80-point hour mark for months suddenly show tendencies to climb into the 90's or fall into the 60's or lower, it is obvious that something has gone wrong. The clerical procedure to trace cases is first to check all computations for mathematical errors and then to trace the production records and time-keeping. If reasons for the abnormal point hours are not discovered, the problem is turned over to the time-study division.

Time-study engineers then check the machine speed and the production. If these are found to be correct as reported, the next move is to make a production check of the operation. This consists of a full day's observation by the time-study man of the operation in question, which is so intense that it cannot fail to locate the source of the trouble.

It is this concern's experience that a successful standards department must build up in the minds of the workers and of management a faith in its integrity and a confidence in its ability to be guided by facts rather than opinions. These requirements call for time-study engineers with a thorough technical background; and, above all, they call for men who are endowed with a personality embodying patience, tact, tolerance, and a sense of fair play.



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